



UMUZIWABANTU MUNICIPALITY

FINANCIAL STATEMENTS

for the year ended 30 June 2016

Auditor General

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

General Information

MUNICIPAL COUNCIL

D. Ndiki	(Mayor)
M.B. Gavu	(Deputy Mayor)
A.D. Ngubo	(Speaker)
N.B. Dlamini	(Exco Member)
M. Gallagher	Councillor
M.S. Charane	Councillor
T.H. Chilliza	Councillor
A.T.C. Houston	Councillor
D.S. Dlamini	Councillor
M.J. Jali	Councillor
X.Ndlangisa	Councillor
M.V. Nyathi	Councillor
M.V. Vezl	Councillor
C.Z. Skosana	Councillor
H.J. Ngubelanga	Councillor
C.P. Nkomo	Councillor
S.O. Njongo	Councillor
S.W. Vethe	Councillor
M.P. Mteshane	Councillor
M.B. Gavu	(District Council Representative)
M.P. Mteshane	(District Council Representative)

GRADING OF MUNICIPALITY

Grade 3

AUDITORS

Auditor General

BANKERS

NEDBANK

First National Bank

Investic

REGISTERED OFFICE

Main Street

HARDING

POSTAL OFFICE

Private Bag X1023

HARDING

MUNICIPAL MANAGER

S D Mbhele

CHIEF FINANCIAL OFFICER (Acting)

I.A. Ogle

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Accounting Officers' Responsibilities and Approval

The Accounting officer are required by the MFMA, to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly presented the state of affairs of the municipality as at the end of the financial year and the results of its operation and cash flows for the period that ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of General Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

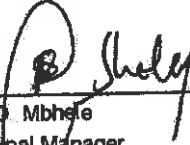
The accounting officer acknowledge that he is ultimately responsible of the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Umuziwabantu Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system on internal control provides reasonable assurance that the financial control can provide only reasonable, and not absolute assurance against material misstatements of deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the 01 July 2015 to 30 June 2016 and in the light of this review and the current financial position, they are satisfied that the Umuziwabantu Municipality has access to adequate resources to continue in operational existence for the foreseeable future.

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 50 in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 28 of these annual financial statement are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Mr S.O. Mbhele
Municipal Manager

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

Statement of Financial Position as at June 30, 2016

	Note(s)	2 016 R	2 015 R
Assets			
Current assets			
Inventory	7	560 491	437 461
Receivables from exchange transactions	8	2 434 583	956 181
VAT receivable	9	2 588 574	3 167 908
Consumer debtors	10	12 638 232	10 390 647
cash and cash equivalents	11	110 840 066	77 096 793
		129 061 945	92 048 990
Non-current assets			
Investment Property	2	1 479 000	1 479 000
Property, plant and equipment	3	202 633 413	184 598 558
Intangible Asset	4	23 908	31 662
Plantation Investment	6	29 307 519	23 205 643
		233 443 840	209 314 863
Total Assets		362 505 785	301 363 853
Liabilities			
Current liabilities			
Finance Lease Liability	14	261 866	104 754
Payables from exchange transactions	17	7 950 143	5 434 248
Consumer deposits	18	521 657	515 078
Unspent grants and receipts	15	3 756 777	10 540 953
Provisions	16	6 142 580	5 406 576
		18 633 023	22 001 609
Non- current liabilities			
Finance Lease Liabilities	14	408 897	-
Employee benefit obligation	5	4 583 299	3 953 122
		4 992 196	3 953 122
		23 625 219	25 954 731
Net assets		338 880 567	274 812 783
Net assets			
Reserves			
Revaluation reserve	12	26 468 400	26 468 400
Accumulated Surplus		312 412 167	248 344 383
Total Assets		338 880 567	274 812 783

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

Statement of Financial Performance

		2 016	2 015
	Note(s)	R	R
Revenue			
Revenue from exchange transactions			
Afforestation Scheme sales		9 701 124	8 776 410
Service charges	21	29 538 570	28 272 904
Rental on facilities and equipment	36	37 861	45 240
Licences and permits		2 199 713	2 333 107
Other Income	24	2 677 387	1 615 719
Interest received - investments	30	7 270 710	4 713 291
Total revenue from exchange transactions		51 425 365	45 756 671
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	14 528 594	13 854 561
Property rates-penalties imposed	20	855 466	558 826
Transfer revenue			
Government grants and subsidies	22	82 571 119	68 157 455
Capital grants	23	24 523 220	24 187 146
Fines		358 864	468 497
Total revenue from non exchange transactions		122 837 263	107 226 485
Total revenue		174 262 629	152 983 156
Expenditure			
Employee related costs	26	(39 757 372)	(33 229 198)
Remuneration of Councillors	27	(6 174 207)	(6 134 972)
Afforestation Scheme general expenses	28	(5 037 159)	(4 317 854)
Afforestation Scheme cost of sales		(4 519 322)	(4 929 651)
Depreciation and amortisation	32	(11 430 414)	(8 064 461)
Finance Costs	33	(38 206)	(27 341)
Finance lease charges		(282 944)	(836 307)
Debt impairment	29	(173 580)	(248 553)
Repairs and maintenance		(3 978 411)	(2 723 794)
Bulk purchases	39	(22 923 839)	(20 533 098)
Contracted services	37	(2 084 375)	(806 088)
Transfers and subsidies	38	(327 267)	(214 970)
Loss on Disposal of assets		(338 905)	0
General expenses	25	(20 163 682)	(29 045 052)
Total Expenditure		(117 229 683)	(111 111 339)
Operating surplus		57 032 945	41 871 817
Changes in value of plantation	31	6 101 876	1 175 807
Actuarial Gains/Losses	5	12 493	4 303 878
Surplus for the year		63 147 314	47 351 502

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Financial Statements for the year ended June 30, 2016

Statement of Changes in Net Assets

	Revaluation Reserve R	Accumulated Surplus/ R	Total net assets R
Balance at 01 July 2014	26 468 400	201 589 226	228 057 626
Changes in net assets			0
Surplus for the year		47 351 502	47 351 502
Total changes		248 940 728	275 409 128
Balance at 01 July 2015	26 468 400	248 940 728	275 409 128
Correction of Prior year error		324 124	324 124
			0
Balance at 01 July 2015 -(Restated)	26 468 400	249 264 852	275 733 252
Surplus for the year		63 147 314	63 147 314
Total changes	26 468 400	312 412 166	338 880 566
Note(s)	12		

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

Cash Flow Statement

	Note(s)	2 016 R	2 015 R
Cash flows from operating activities			
Receipts			
Sale of goods and services		54 073 540	39 427 661
Grants		107 094 339	92 344 601
Other receipts		9 948 097	29 818 650
Other cash item			
		<u>171 115 976</u>	<u>161 590 912</u>
Payments			
Employee Costs		(45 931 580)	(39 364 166)
Suppliers		(46 253 096)	(59 478 819)
Finance costs		(38 206)	(27 341)
Other cash items		(9 556 481)	(6 691 047)
		<u>(101 779 363)</u>	<u>(105 561 373)</u>
Net cash flows from operating activities	40	<u>69 336 613</u>	<u>56 029 539</u>
Cash flows from Investing activities			
Purchase of property, plant and equipment	3	(64 995 737)	(37 269 219)
Proceeds from sale of property, plant and equipment	3	34 925 978	
Proceeds from sale on investment property	2		153 000
Purchase of other intangible assets	4		(31 662)
Movement in plantation investment		(4 957 571)	(1 041 403)
Purchase of other assets			
		<u>(35 027 330)</u>	<u>(38 189 284)</u>
Net cash generated from / (utilised in) financing activities			
Cash flows from financing activities			
Repayment of other financial liabilities			
Finance lease payments		(566 009)	(413 223)
Other cash item			31 662
		<u>(566 009)</u>	<u>(381 561)</u>
Net cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		33 743 274	17 458 694
Cash and cash equivalents at the beginning of the year		77 096 792	59 638 098
Cash and cash equivalents at the end of the year		<u>110 840 066</u>	<u>77 096 792</u>

UMUZWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

Statement of Comparison of Budget and Actual Amount

2016																					
Financial Performance																					
Original budget	Budget adjustment (i.t.o S28 and S31 of MFMA)	Final adjustment budget	Shifting of funds (i.t.o. MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual outcome	Unauthorised expenditure	Variance	Actual Outcome as % of final budget	Actual Outcome as % of original budget											
R	R	R	R	R	R	R	R	R	%	%											
Property rates	11 217 000	3 028 548			14 245 548	14 732 877		(487 329)	3%	24%											
Property rates-penalties&collection charges	401 102				401 102	855 466		(454 364)	113%	53%											
Service charges-electricity revenue	31 107 616				31 107 616	27 382 573		3 725 043	-12%	-14%											
Service charges-refuse revenue	2 005 457				2 005 457	1 959 835		45 622	-2%	-2%											
Rental of facilities and equipment	117 000	30 851			147 851	120 049		27 803	-19%	3%											
Interest earned-external investments	4 000 000				4 000 000	7 270 711		(3 270 711)	82%	45%											
Fines	26 245				26 245	358 864		(332 618)	1287%	93%											
Licences and permits	403 000	(29 600)			373 400	455 505		(82 105)	22%	12%											
Agency services	2 632 472				2 632 472	1 744 208		888 264	-34%	-51%											
Transfers recognised	103 868 000	(68 000)			103 800 000	107 094 339		(3 294 339)	3%	3%											
Other revenue	1 555 000	1 673 059			9 547 405	1 299 266		8 248 139	-86%	-20%											
Gains on disposal of PPE					0																
Total revenue	157 332 892	4 634 858			168 287 096	163 273 694		5 013 402	-3%	4%											
Employee costs	46 715 000	(1 015 122)			44 699 878	39 757 372		4 942 506	-11%	-15%											
Remuneration councillors	6 612 317				6 612 317	6 174 207		438 110	-7%	-7%											
Debt impairment	168 540				168 540	173 580		(5 040)	3%	3%											
Depreciation and asset impairment	6 259 000	2 664 516			8 923 516	11 430 414		(2 506 898)	28%	45%											
Finance lease charges	305 455	45 112			350 567	321 150		29 416	-8%	5%											
Bulk purchases	28 099 907				28 099 907	22 923 839		5 176 068	-18%	-23%											
Contracted services	1 584 000	1 195 574			1 939 574	2 084 375		(144 801)	7%	24%											
Repairs and Maintenance	7 618 000	(1 430 830)			6 187 170	3 978 411		2 208 759	-36%	-91%											
Transfers and grants	380 000				380 000	327 267		52 733	-14%	-16%											
Other expenditure	31 029 326	1 077 138			34 390 553	20 163 682		14 226 871	-41%	-54%											
Loss on disposal of PPE						338 905															
Total expenditure	127 771 544	2 536 388			131 752 022	107 673 202		24 417 725	-22%	-19%											
Surplus / Deficit	28 561 347	2 098 470			36 535 074	55 600 492		(19 404 322)	34%	47%											

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

Statement of Comparison of Budget and Actual Amount for assets as at 30 June 2016

Statement of Comparison of Budget and Actual Amount for assets as at 30 June 2016												
2016												
Assets	Original budget	Budget adjustment (i.t.o S28 and S31 of MFMA)	Final adjustment budget	Shifting of funds (i.t.o. S31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual outcome	Unauthorised expenditure	Variance	Actual Outcome as % of final budget	Actual Outcome as % of original budget	
	R	R	R	R	R	R	R	R	R	%	%	
Infrastructure Assets	15 384 101					21 951 075	15 081 181		6 869 893	-46%	-2%	
Community Assets	11 604 299					9 604 299	9 923 448		(319 149)	3%	-17%	
Other Assets	2 572 947					4 979 701	3 285 051		1 694 650	-52%	22%	
Total Assets	29 561 347					36 535 074	28 289 680		8 245 394	-29%	96%	
Funding Sources												
National grant	29 360 374					21 538 400						
Provincial grant						3 755 752						
District grant	200 973					200 973						
Internal Funding						11 039 949						
Total Funding	29 561 347					36 535 074						

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

Accounting Policies

1. Presentation of Annual Financial Statements

The financial statements have been prepared in accordance with the Statements of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the MFMA.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis on measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the year ended 30 June 2016 the Municipality has adopted the accounting framework as set out above.

The Municipality changes an Accounting policy only if the change:

- a) Is required by a Standard of GRAP; or listed below

GRAP 105: Transfer of Functions Between Entities Under Common Control

GRAP 106: Transfer of Functions Between Entities Not Under Common Control

GRAP 107: Mergers

- b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects transactions, other events or conditions have on the performance or cash flow.

1.3 Critical Judgements, Estimations and Assumptions

The following are the critical judgements, apart from those involving estimations, that the management has made in the process of applying the Municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements.

Revenue Recognition

Accounting Policy clause 9.1 on Revenue from Exchange Transactions and Accounting Policy clause 9.2 on Revenue as set from Non exchange Transactions describe the conditions under which revenue will be recorded by the management of the Municipality.

In making their judgment, the management considered the detailed criteria for the recognition of the revenue as set out in GRAP 9 (Revenue from Exchange Transactions), as far as revenue from Non-exchange Transactions is concerned (See basis for preparation above), and in particular, whether the Municipality, when the goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. The Management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Accounting Policies

Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgment by management.

Impairment of financial Assets

Accounting Policy Clause 5.4 on Impairment of Financial Assets describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the Municipality considered the detailed criteria impairment of financial assets as set out in IAS 39. Financial instruments – Recognised and Measurement. The management of the Municipality is satisfied that impairment of financial assets recorded during the year is appropriate.

Useful Lives of Property, Plant and Equipment

As described in the Accounting policy clauses 2.2, 3.2 and 4.2, the Municipality depreciated / amortises its Property, Plant and Equipment and Intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on the industry knowledge.

Impairment: Write down of Property, Plant and Equipment and Inventories

Significant estimates and judgements are made relating to Property, Plant and Equipment Impairment tests and write down of inventories to Net Realisable Values.

1.4 Going Concern Assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.5 Standards, Amendments to Standards and Interpretations issued and adopted

The following GRAP standards have been issued and have been adopted by the municipality:

- GRAP 21: Impairment of Non-cash generating Assets
- GRAP 23: Revenue from Non-exchange Transaction (Taxes and Transfer)
- GRAP 24: Presentation of Budget information in Financial Statements – issued November 2007
- GRAP 25: Employee benefits
- GRAP 26: Impairment of Cash-generating Assets
- GRAP 103: Heritage Assets
- GRAP 104: Financial Instruments

The following standards, amendments to standards and interpretation have been adopted by the municipality.

1.6 Investment property

Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value) its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

Accounting Policies

Subsequent Measurement – Fair Value model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at fair value at reporting date. Any gain or loss arising from the change in fair value of the property is included in surplus or deficit for the period in which it arises.

Investment property is measured using cost model and is estimated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on the cost, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The gain or loss arising from disposal of an investment property is determined as a difference between sales proceeds and carrying value and is recognised in the statement of financial performance:

Item	Useful life 30
------	-------------------

1.7 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for assets which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any

Accounting Policies

Subsequent accumulated depreciation and subsequent accumulated impairment losses

SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

DEPRECIATION AND IMPAIRMENT

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Accounting Policies

1.7 Property, plant and equipment (continued)

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectation differs from the previous estimates, the change is accounted for as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset. Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or losses arising from de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is de-recognised. The gain or loss arising from de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

De-recognition of Property, Plant and equipment

The municipality changed its accounting policy for property, plant and equipment in 2015. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment have accordingly been recognised at provisional amounts, as disclosed in 3. The transitional provision expires on Saturday, June 30, 2012.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2015 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 3.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),

Accounting Policies

Segment Reporting (GRAP 18),

- **Discontinued Operations (GRAP 100)**

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.8 NON-CURRENT ASSETS HELD FOR**SALE INITIAL RECOGNITION**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when *the* sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.9 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions and obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.10 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to *the* asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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Accounting Policies

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3-5 yrs
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance

1.10 Intangible assets (continued)

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance

1.11 Event after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non adjusting events after the reporting date have been disclosed in the Annual Financial Statements.

1.12 Related parties

Individuals, as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager

Accounting Policies

1.13 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.14 Leases**Finance leases as lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the assets fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payment due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Municipality as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. The receivables is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases - lessor

Operating lease income is recognised as revenue on a straight line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the income.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. Income for leases is disclosed under revenue in the statement of financial performance

Operating leases - lessee

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the Statement of Financial Performance accrued on a straight-line basis over the term of the relevant lease.

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Accounting Policies

1.15 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The Housing Development Fund is cash-backed and is dedicated to housing needs. The cash was generated by the sale of plots some years ago, and expenditure thereof is subject to approval of the Housing Board.

1.16 Changes in accounting policies, estimated and errors

Changes in Accounting Policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy in such cases the municipality restated the opening balances of assets, liabilities and net assets for earliest period for which retrospective restatement is practicable. Refer to the note for details of changes in accounting policies

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosures in the notes to the annual financial statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective are practicable.

The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective in accordance with the requirements of GRAP 3.

1.17 Afforestation

The Harding Afforestation Scheme (the Scheme) is managed by NCT Tree Farming (Pty) Ltd (NCT) and NCT is paid a management fee for this service by the Scheme. The Scheme's annual net profit accrues to the Umuziwabantu Municipality (UM). In terms of the agreement between NCT and UM certain fixed assets and the plantations under the control of the Scheme are the property of, and will remain the property of, the Umuziwabantu Municipality. Biological assets (plantation inventories) are stated at fair value less estimated point of sale costs, based on the present value of net future cash flows from the asset discounted at a market determined pre-taxation rate. Increases or decreases in value are recognised in the income statement.

All expenses incurred in maintaining and protecting the assets is recognised in the income statement. Finance charges are not capitalised.

1.18 Inventories

Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Accounting Policies

1.18 Inventories (continued)

Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Consumable stores are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

1.19 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follows:

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

Accounting Policies

1.19 Impairment of cash-generating assets (continued)

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.20 Employee benefits

Employee benefits are all forms of consideration given by an Umuziwabantu Municipality in exchange for service rendered by employees.

Termination benefits are employee benefits payable as result of either, Municipalities decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

The municipality provided retirement benefits for its employees. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the three defined benefit funds administrators. Contribution are charged as an expense in the Statement of Financial Performance in the year that they become payable.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficit identified by the actuary are recovered from participating municipalities in the form of surcharges added to the Contributions which are charged as an expense in the Statement of Financial Performance in the year that they become payable.

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the scheme is equivalent to those arising in a defined contribution retirement benefit plan.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible. Financial assumptions are based on market expectations, at the reporting date, for period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;

- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and

- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if and only if either;

- those changes were enacted before the reporting date; or

- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Accounting Policies

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.21 Provisions and contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in notes in Annual Financial Statements.

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provision are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discounted rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identify at least:
 - The business or part of a business concerned;
 - The principal locations affected
 - The location, function, and approximate number of employees who will be compensated for terminating their service
 - The expenditure that will be undertaken; and
 - When the plan will be implemented; and
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.22 Revenue from exchange transactions:

Service charges relating to refuse removal are raised by means of a rate, and the rate is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised.

Interest and rentals are recognised on a time proportion basis

Dividends are recognised on the date that the municipality becomes entitled to receive the dividends

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement. Revenue from the sale of goods is recognised when the risk is passed to the consumer. Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the municipality not met the contribution, a liability is recognised.

1.23 Revenue from non-exchange transaction:

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic or service potential must be returned to the transferor.

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Accounting Policies

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objective and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Revenue from property rates is recognised when the legal entitlement to this revenue arises and collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on the time proportion basis.

Fines constitute both spot fines and summonses.

Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset as per GRAP 1

Assets arising from fines are measured at the estimate of the inflow of resources to the municipality.

1.24 Trade payables and borrowings

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.25 Comparative figures

Budgeted amounts have been included in the Annual Financial Statements for the current financial year

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are re-classified. The nature and reason for the reclassification is disclosed.

1.26 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the condition of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Accounting Policies

1.27 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003) the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No.20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance

1.29 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.30 Trade and other receivables

Trade and other receivables are categorized as financial assets, loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified current.

1.31 Cash and cash equivalent

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand, deposits held on call with banks net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilized. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried are amortised cost.

1.32 Budget information

Municipality's are typically subject to budgetary limits in the form of appropriation or budget authorizations (or equivalent), which is given effect through authorizing legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives. The approved budget covers the fiscal period from 1 July 2015 to 30 June 2016. The budget for the economic entity includes all the entities approved budgets under its control

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

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Financial Statements for the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

	2016 R	2015 R
2 Investment property		
Investment property	1 479 000	1 479 000

Reconciliation of Investment property	Opening balance	Disposals	Total
Investment property	1 479 000	0	1 479 000

Details of Property

Various land where council has not determined future use and the fair value disclosed was based on the valuation by an independent valuer, Mills Fitchet, who holds a recognised and relevant professional qualification and has recent experience in the category of the valued investment properties. The properties are all vacant residential properties. The fixed date for the general valuation date is 1 July 2011.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

3 Property, plant and equipment

	2016			2015		
	Cost Valuation	Accumulated depreciation and accumulated impairment	Carrying Value	Cost Valuation	Accumulated depreciation and accumulated impairment	Carrying Value
Land	18 782 297	0	18 782 297	18 782 297	0	18 782 297
Buildings	32 217 377	(9 194 882)	23 022 496	23 070 726	(6 752 691)	16 318 035
Plant and machinery	9 150 585	(4 844 272)	4 306 314	8 236 869	(4 209 407)	4 027 462
Furniture and fixtures	2 028 968	(1 568 273)	460 696	2 117 522	(1 557 257)	560 265
IT equipment	2 142 125	(733 793)	1 408 333	1 295 500	(680 644)	614 856
Roads	130 992 631	(21 946 561)	109 046 071	108 798 272	(16 244 481)	92 553 791
Other property, plant and equipment	7 145 193	(3 841 501)	3 303 693	7 138 771	(3 088 719)	4 050 052
Other Leased Assets	890 915	(232 174)	658 741	683 955	(341 978)	341 977
Cemeteries	0		0	5 993	(5 984)	9
Afforestation	2 328 472	(584 687)	1 743 786	1 822 382	(465 909)	1 356 473
Solid Waste	4 089 462	(1 933 366)	2 156 096	4 092 540	(1 473 878)	2 618 662
Electricity	12 715 276	(5 843 985)	6 871 292	12 422 781	(5 495 208)	6 927 573
Under construction	30 873 608		30 873 599	36 447 106		36 447 106
Total	253 356 911	(50 723 489)	202 633 413	224 914 714	(40 316 156)	184 598 558

UMUZIWABANTU MUNICIPALITY
Financial Statements for the year ended June 30, 2016
NOTES TO THE FINANCIAL STATEMENTS

3 Property, plant and equipment

Reconciliation of property, plant and equipment

	Opening balance	Additions	Prior year adjustments	Disposals	Other movements	Accumulated depreciation disposals	Useful life re-assessment	Depreciation	Impairment loss	Total
Land	18 782 297									18 782 297
Buildings	16 318 035	9 436 882		(290 231)		166 967		(2 609 158)		23 022 495
Plant and machinery	4 027 462	1 068 399		(154 683)		110 636	22	(745 523)		4 306 313
Furniture and fixtures	560 265	47 103		(135 858)		117 994	3 067	(132 077)		460 694
IT equipment	614 856	1 060 782		(214 158)		150 139	818	(204 106)		1 408 331
Roads	92 553 791	23 063 085		(968 726)		168 011		(5 868 091)		109 046 070
Other property, plant and equip	4 050 052	288 727		(282 305)		195 719	4 687	(953 188)		3 303 692
Other Leased Assets	341 977	736 446		(529 485)		295 070		(185 267)		658 741
Cemeteries	9			(5 993)		6 082		(98)		0
Afforestation	1 358 473	508 282		(2 192)				(118 778)		1 743 785
Solid Waste	2 618 661			(3 078)	(263 868)			(195 620)		2 156 095
Electricity	6 927 573	426 594		(134 098)		69 731		(418 508)		6 871 292
Under construction	36 447 106	26 468 005		(32 041 503)						30 873 608
Total	184 598 557	63 104 305	0	(34 662 110)	(263 868)	1 278 349	8 594	(11 430 414)	0	202 633 413

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Umuziwabantu municipality. Refer to Appendix B for more details on property, plant and equipment. The effective date of re-valuation of land was 1 July 2011, and an independent value, Mills Fitchet, was appointed to do the valuation. The valuation was determined at market related values or recent or recent market transactions at arms length.

4 Intangible assets

	2016		2015	
	Cost Valuation	Accumulated depreciation and impairment	Carrying Value	Cost Valuation
Computer software	38 770	(14 862)	23 908	38 770
				(7 108)
				31 662
Reconciliation of Intangible assets	Open Balance	Additions	Total	Open Balance
	38 770	-	38 770	0
				31 662

The amortisation expense has been included in the line item "Depreciation" in the Statement of Financial Performance.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

	2016 R	2015 R
5 Employee benefit obligations		
Calculation of Post employment Medical Subsidy:		
Independent valuer, Arch actuarial consulting, carried out a statutory valuation on an annual basis		
The principal actuarial assumptions used were as follows:		
Discount rate per annum	9.29 %	9.14 %
Healthcare cost inflation	8.33 %	8.30 %
Net discount rate	0.88 %	0.78 %
Example of mortality rates used were as follows:		
Average retirement age	Female 60	Male 65
Mortality during employment		SA85-90
Members withdrawn from services: (Average for males and females)		
Age 20	Female 24 %	Male 16 %
Age 30	18 %	12 %
Age 40	10 %	8 %
Age +50	4 %	4 %
	2 %	2 %
The amounts recognised in the Statement of Financial Position were determined as follows:		
Present value of funded obligations	3 033 835	2 619 938
Fair value of plan assets		
	<u>3 033 835</u>	<u>2 619 938</u>
Movements in the defined benefit obligations is as follows:		
Opening balance	2 619 938	5 144 000
Current service cost	245 463	622 000
Actuarial (gains)/losses	(21 936)	(3 526 062)
Benefit payments	(47 198)	(56 000)
Interest cost	237 568	436 000
	<u>3 033 835</u>	<u>2 619 938</u>
Post-employment medical benefits loss	n/a	n/a
Long service award (gain) / loss	3 033 835	2 619 938
	<u>3 033 835</u>	<u>2 619 938</u>
Statement of Financial performance obligation for:		
Long service award loss	(21 936)	(3 526 062)

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

	2016 R	2015 R
5 Employee benefit obligations (continued)		
Calculation of actuarial gains and losses (Long Service Bonus Awards Actuarial Valuation)		
Independent valuer, Arch actuarial consulting, carried out a statutory valuation on an annual basis		
The principal actuarial assumptions used were as follows:		
Discount rate per annum	8.64 %	9.14 %
Healthcare cost inflation	7.28 %	8.30 %
Net discount rate	1.26 %	0.78 %
Example of mortality rates used were as follows:		
	Female	Male
Average retirement age	60	65
Mortality during employment	SA85-90	SA85-90
Members withdrawn from services: (Average for males and females)		
	Female	Male
Age 20	24 %	16 %
Age 30	18 %	12 %
Age 40	10 %	8 %
Age 50	4 %	4 %
Age +55	2 %	2 %
The amounts recognised in the Statement of Financial Position were determined as follows:		
Present value of funded obligations	1 549 464	1 333 184
Fair value of plan assets		
	<u>1 549 464</u>	<u>1 333 184</u>
Actuarial (gains)/losses - Obligation	1 333 184	1 814 000
Current service cost	121 051	257 000
Actuarial (gains)/losses	9 443	(777 816)
Benefit payment	(20 981)	(110 000)
Interest cost	106 767	150 000
	<u>1 549 464</u>	<u>1 333 184</u>
Statement of Financial performance obligation for:		
Post-employment benefits loss	n/a	n/a
Long service award (gain) / loss	1 549 464	1 333 184
	<u>1 549 464</u>	<u>1 333 184</u>
Post-employment benefits loss		n/a
Long service award (gain) loss	9 443	(777 816)
	<u>9 443</u>	<u>(777 816)</u>

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

	2016 R	2015 R
5 Employee benefit obligations (continued)		
Key assumptions used		
Long Service Awards and Medical Aid Subsidy Liability		
General salary inflation	9.29 %	7.21 %
Discount rate per annum	8.33 %	8.14 %
Expected rate of return on assets	1.83 %	0.86 %
Discount rate per annum	8.33 %	9.14 %
Net discount rate	0.88 %	0.78 %
Expected increase in healthcare costs	6.83 %	8.30 %

The salaries used in the valuation include an assumed increase on 1 July 2016 of 6% as per the SALGBC circular no: 01/2016. The next salary increase was assumed to take place in 1 July 2017.

Health Care Cost Inflation

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs(for example, due to technological advances or changes in utilisation patterns).

A health care cost inflation rate of 8.33% has been assumed. This is 1.5% in excess of expected CPI inflation over the expected term of the liability, namely 6.83%. A larger differential would be unsustainable, eventually forcing members to less expensive options

Replacement ratio

This is the expected pension as a percentage of the final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contributions rate tables are income-dependant. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

6 Plantation Inventories

Opening Balance	23 205 643	
Plantation standing timber value	6 101 876	23 205 143
Afforestation Investments		500
Total	29 307 519	23 205 643

The increase in fair value during the year was R 6 101 876 (increase). Plantation Inventories are stated at fair value less estimated point of sale costs, based on the present value of net future cash flows from the asset discounted at a market determined pre-taxation rate. The scheme reviews its outlook for standing timber prices regularly in considering the need for active financial risks management.

7 Inventories

Inventory - Electrical equipment	76 060	101 496
Store stock	67 426	58 431
Afforestation scheme	417 006	279 534
	560 491	437 461

The inventory value is considered as the lower of cost or net releasable value.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

	2016 R	2015 R
8 Receivables from exchange transactions		
Trade debtors	2 424 183	945 781
Deposits	10 400	10 400
	<u>2 434 583</u>	<u>956 181</u>

The Credit Policy states that the average credit period is 30 days. Interest is charged on overdue accounts and such interest is determined by Council. Management has profiled each debt and considered the effect of any impairment in the value of outstanding debt.

The provision is made annually and is calculated by analysing all the debt above 90 days. The recoverability of debt owing by each debt above 90 days is assessed and the irrecoverable is classified based on the category area. No provision has been made with regards to property rates as there amounts are considered to be fully recoverable.

9 VAT		
VAT receivable	<u>2 588 574</u>	<u>3 167 908</u>

VAT is payable on the cash basis. Once payment is received from debtors, VAT is paid over to SARS

10 Consumer debtors**Gross balances**

Rates	9 353 087	8 597 596
Electricity	3 094 334	2 690 149
Refuse	441 560	480 743
Traffic Fines	1 300 670	971 070
	<u>14 189 651</u>	<u>12 739 558</u>

Less: Allowance for impairment
Provision for bad debts

<u>(1 551 419.4)</u>	<u>(1 377 840.0)</u>
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Net Balance

Rates	9 353 087	8 597 596
Electricity	3 094 334	2 690 149
Refuse	441 560	480 743
Traffic Fines	1 300 670	971 070
Provision for bad debts	<u>(1 551 419)</u>	<u>(1 377 840)</u>
	<u>12 638 232</u>	<u>11 361 718</u>

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

	2016 R	2015 R
10 Consumer debtors (continued)		
Net balance	<u>14 189 651</u>	<u>11 768 458</u>
Rates		
Current (0 - 30)		
31 - 60 days	466 486	449 630
61 - 90 days	436 859	395 920
91 - 120 days	299 629	285 831
121 - 365 days	265 439	257 591
> 365 days	235 932	204 591
	<u>7 648 742</u>	<u>7 004 003</u>
	<u>9 353 087</u>	<u>8 597 566</u>
Electricity		
Current (0 - 30)		
31 - 60 days	2 048 260	1 723 223
61 - 90 days	850 591	723 640
91 - 120 days	57 107	45 523
121 - 365 days	7 524	23 867
> 365 days	4 666	16 395
	<u>126 188</u>	<u>157 501</u>
	<u>3 094 334</u>	<u>2 690 149</u>
Refuse		
Current (0 - 30)		
31 - 60 days	163 039	146 423
61 - 90 days	100 770	72 415
91 - 120 days	42 882	30 898
121 - 365 days	22 334	20 712
> 365 days	14 525	16 977
	<u>98 008</u>	<u>193 318</u>
	<u>441 560</u>	<u>480 743</u>
Other (specify)		
> 365 days	<u>(1 551 419)</u>	<u>(1 377 840)</u>

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

	2016 R	2015 R
10 Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 - 30)	1 073 048	933 833
31 - 60 days	968 455	785 754
61 - 90 days	303 688	284 693
91 - 120 days	220 074	238 508
121 - 365 days	499 259	181 619
> 365 days	4 035 620	3 999 417
	7 100 143	6 423 825
Industrial / Commercial		
Current (0 - 30)	1 227 407	1 062 516
31 - 60 days	341 828	255 352
61 - 90 days	94 433	54 135
91 - 120 days	74 320	43 347
121 - 365 days	65 335	41 158
> 365 days	2 123 755	1 073 060
	3 927 079	2 529 568
National and Provincial government		
Current (0 - 30)	377 330	322 927
31 - 60 days	77 937	150 869
61 - 90 days	1 497	23 425
91 - 120 days	904	20 314
121 - 365 days	833	15 162
> 365 days	1 403 260	1 311 327
	1 861 759	1 844 024
Total		
Current (0 - 30)	2 677 785	2 319 276
31 - 60 days	1 388 219	1 191 975
61 - 90 days	399 618	362 253
91 - 120 days	295 298	302 170
121 - 365 days	565 427	237 939
> 365 days	7 582 634	6 383 804
	12 888 981	10 797 417
Less: Allowance for impairment	(1 551 419)	(1 377 840)
	11 337 562	9 419 577
Provision for debt impairment		
91 - 120 days	(29 858)	(44 599)
121 - 365 days	(19 191)	(33 372)
> 365 days	(1 502 369)	(1 299 869)
	(1 551 419)	(1 377 840)

The Credit Control Policy state that the average credit period is 30 days. Interest is charged on overdue accounts and such interest is determined by Council. Management has profiled each debt and considered the effect of any impairment in the value of the outstanding debt.

The provision is made annually and is calculated by analysing all the debt above 90 days. The recoverability of debt owing by each debt above 90 days is assessed and the irrecoverable is classified based on the category area. No provision has been made with regards to property rates as these amounts are considered to be fully recoverable.

UMUZIWABANTU MUNICIPALITY
Financial Statements for the year ended June 30, 2016
NOTES TO THE FINANCIAL STATEMENTS

	2016 R	2015 R
11 Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	898	3 232
Bank balances	9 309 868	4 513 362
Short-term deposits	101 529 300	72 580 199
	110 840 066	77 096 793

The municipality had the following bank accounts

Account number / description

Bank statement balances		Cashbook balances	
30 June 2016	30 June 2015	30 June 2016	30 June 2015
FNB - Account number : 61240006266	Investment account 479 066	479 066	463 406
FNB - Account number : 71460300059	Investment account 12 889 335		12 889 335
FNB - Account number : 74616838252	Investment account		
FNB - Account number : 62618238655	Investment account 13 903 307	13 903 307	
FNB - Account number : 62605479767	Investment account 5 135 796	5 135 796	
Nedbank - Account number : 0371 6501 8956/01	Investment account 324 221	324 221	18 707
Nedbank - Account number : 0371 6501 5337/01	Investment account 403 017	403 017	378 712
Nedbank - Account number : 0371 6501 6856/14	Investment account 25 215 491		25 215 491
Nedbank - Account number : 0371 6501 6856/17	Investment account		
Nedbank - Account number : 0371 6501 4802/0016	Investment account 4 044 112	4 044 112	1 146 378
Nedbank - Account number : 0371 6501 6856/0009	Investment account		
Nedbank - Account number : 0371 6501 3008/24	Investment account 27 386 289		27 386 289
Nedbank - Account number : 0371 6501 4802/01	Investment account 1 764 678	1 764 678	3401
Nedbank - Account number : 0371 6501 4802/17	Investment account 5 400 859		5400859
Nedbank - Account number : 0371 6501 8956/18	Investment account 599 531	599 531	
Nedbank - Account number : 0371 6501 3008/39	Investment account 19 667 495	19 667 495	
Nedbank - Account number : 0371 6501 5337/01	Investment account 10 605 938	10 605 938	
Nedbank - Account number : 0371 6501 5337/01	Investment account 1 148 478	1 148 478	
Nedbank - Account number : 0371 6501 13415/03	Primary Account 9 220 811	9 309 868	4 513 362
Nedbank - Account number : 116 503 3615	Investment account 31 155 756	31 155 756	
Investec - Account number : 1100529803451	Investment account 10 123 616	10 123 616	
Investec - Account number : 1100529803452	Investment account 2 163 491	2 174 289	717 639
FNB - Account number : 50932742767	Current-Afforestation 898	898	3 232
Cash float on hand			
	110 740 211	110 840 066	78 236 811

2 Revaluation reserve

Opening balance

26 468 400

13 Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2016

	Capital replacement	Capitalisation reserve	Donations and Public Contribution	Actuary	Total
Opening balance	2 570 196	3 981 424	142 352		6 693 972

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

	2016 R	2015 R
14 Finance lease obligation		
Minimum lease payments due		
-within one year	261 866	108 182
-in second to fifth year	408 897	-
	670 763	108 182
less: future finance charges		(3 428.00)
Present value of minimum lease payments	670 763	104 754
Non-current liabilities	408 897	-
Current liabilities	261 866	104 754
	670 763	104 754

It is Umuziwabantu Municipality policy to lease certain motor vehicles and equipment under finance leases.

Interest rates are fixed at the contract date. All leases have fixed repayments and exclude additional charges for contingent rent based on percentage of sales.

15 Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise of:

Electrification Grant		283 000
Municipal Systems Improvement Grant (MSIG)		-
Strategic Environmental Assessment Grant (SEA)		256 989
Small Ton Rehabilitation Grant	3 301 224	755 752
Finance management Grant (FMG)		-
Land Use Management Systems Grant (LUMS)	73 000	73 000
Municipal Infrastructure Grant (MIG)		8 789 659
Government Expect Grant	7 890	7 890
Sports and Recreation Grant		-
IDP (Public participation) Grant	57 500	57 500
Disaster Management Grant	317 163	317 163
	3 756 777	10 540 953

Movement during the year

Balance at the beginning of the year	10 540 953	17 225 234
Additions during the year	23 988 504	26 608 163
Income recognition during the year	(30 772 680)	(33 292 444)
	3 756 777	10 540 953

These amounts are invested until utilised.

The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

	2016	2015
	R	R
16 Provisions		
Reconciliation of provisions 2016		
	Opening balance	Movements
Environmental rehabilitation	3 142 169	298 506
Provision for Accrued Leave	2 264 407	437 498
Present value of minimum lease payments	<u>5 406 576</u>	<u>736 004</u>
		<u>6 142 580</u>

Staff leave is accrued to the staff of the municipality on an annual basis subject to certain conditions. The provision is the estimate of the amount due at the reporting date.

The Harding general waste landfill site is amortised over a period of 25 years as per USK Consulting report (engineer). The budget allocated to this rehabilitation is R21 131 293.68. The present value is calculated as follows:

Interest - 9.5%
Number of years - 25

The present value is R 3 440 675 that was capitalised as at end of 2015/16 financial year. The depreciation is calculated on the straight line basis. The provision of the landfill site increases at a 9.5% rate per annum. In the current financial year an amount of R 298 506.08 increased the provision. A prior year adjustment of R748 924 was processed and the net carrying value is R2 074 666

The Landfill site is registered with the Department of Environmental Affairs.

17 Payables from exchange transactions

Trade payables	3 522 402	1 640 852
Accrued bonus	1 696 795	1 473 914
Housing creditors	364 077	371 827
Other creditors	287 025	286 880
Retention	<u>2 079 844</u>	<u>1 660 775</u>
	<u>7 950 143</u>	<u>5 434 248</u>

The average credit period on purchases is 30 days from the receipt of the invoice as determined by the MFMA.

18 Consumer deposits

Electricity	<u>521 657</u>	<u>515 078</u>
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UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

	2016 R	2015 R
19 Revenue		
Afforestation Scheme sales	9 701 124	8 776 410
Services charges	29 538 570	28 272 904
Rental of facilities	37 861	45 240
Licence and permits	2 199 713	2 333 107
Other income	2 677 387	1 615 719
Interest received - Investments	7 270 711	4 713 291
Property rates	14 732 877	13 854 561
Property rates - penalties	855 466	558 826
Government grants and subsidies	82 571 119	68 157 455
Capital grants	24 523 220	24 187 146
Fines, Penalties and forfeits	358 864	468 497
	174 466 913	152 983 156

The amount included in revenue arising from exchange of goods or services are as follows:

Afforestation Scheme sales	9 701 124	8 776 410
Services charges	29 538 570	28 272 904
Rental of facilities	37 861	45 240
Licence and permits	2 199 713	2 333 107
Other income	2 677 387	1 615 719
Interest received - investments	7 270 711	4 713 291
	51 425 366	45 756 671

The amount included in revenue arising from non-exchange transactions are as follows:

Property rates	14 732 877	13 854 561
Property rates - penalties	855 466	558 826
Government grants and subsidies	82 571 119	68 157 455
Capital grants	24 523 220	24 187 146
Fines, Penalties and forfeits	358 864	468 497
	123 041 546	107 226 485

20 Property rates

Rates received		
Residential	3 780 206	3 771 371
Commercial	5 483 352	5 112 997
State	4 953 051	4 674 006
Agriculture	440 380	404 331
Public Service Infrastructure	12 074	11 270
Tourism	63 815	60 116
	14 732 877	14 034 091
less: Income foregone	(204 283)	(179 529)
Property rates - penalties imposed	855 466	558 826
	15 384 060	14 413 388

All registered indigents receive a monthly subsidy of 100% rebate on rates which is funded from the Equitable Share Grant

Valuations

Residential	421 261 633	421 261 633
Commercial	382 974 000	382 974 000
State	436 008 000	436 008 000
Agriculture	337 536 000	337 536 000
Public Service Infrastructure	5 750 000	5 750 000
Communal	98 380 000	98 380 000
Municipal	24 450 000	24 450 000
Public Benefit Organisation	34 752 000	34 752 000
Tourism	11 250 000	11 250 000
	1 752 361 633	1 752 361 633

Valuations on land and buildings are performed every five years. The last general valuation came into effect on 1 July 2012. Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions. Different rate randages for Residential, Commercial, Industrial and State properties are applied to property valuations to determine assessment rates. Rates are levied annually. Interest is levied on outstanding rates. The new general valuation will be implemented on 01 July 2017.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

	2016 R	2015 R
21 Service charges		
Sale of electricity	27 578 735	26 494 599
Refuse removal	1 959 835	1 778 305
	29 538 570	28 272 904

22 Operational Grants

Equitable Share Grant	73 121 084	52 328 290
Other Government Grants	1 760 460	8 514 435
Free Basic Electricity: Equitable share	3 200 675	3 019 419
Financial Management Grant	1 800 000	1 800 097
Provincialisation of libraries (Cyber cadet) Grant	170 000	126 000
Municipal Systems Improvement Grant	930 000	934 223
CBD M/Plan & T/Planning Scheme Grant		-
Library Subsidy Grant	553 000	535 000
EPWP Grant	1 036 000	900 000
	82 571 119	68 157 464

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable share

Current year receipts	76 322 000	59 070 000
Conditions met - transferred to revenue	(76 322 000)	(59 070 000)
	-	-

In terms of the Constitution, this Unconditional grant is used to subsidise the provision of basic services. It has been utilised to co-fund operating activities to assist the municipality to efficiently provide service delivery (see note 15)

NEP Grant (Eskom)

Balance unspent at beginning of year	283 000	7 664 933
Current year receipts		-
Conditions met - transferred to revenue	(283 000)	(7 381 933)
	-	283 000

Conditions is still to be met - remain liabilities

This grant was provided by Eskom to the municipality to address the backlog of occupied residential dwellings and the installation of bulk infrastructure, rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

Library Support Grant

Current year receipts	553 000	535 000
Conditions met - transferred to revenue	(553 000)	(535 000)
	-	-

Conditions have been met. This grant is received from the KZN Department of Arts and Culture and is used to subsidise the day to day operating for the Harding Town Library.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

	2016 R	2015 R
22 Operational Grants(continued)		
Municipal Systems Improvement Grant		
Balance unspent at beginning of the year	-	223
Current year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(934 223)
Other	-	-

This grant is used for infrastructure, capacity building and restructuring. The capacity building and restructuring grants were to set up to assist the municipality in developing their planning, budgeting, financial management and technical services.

Expanded Public Works Programme Grant (EPWP)

Current year receipts	1 036 000	1 000 000
Conditions met - transferred to revenue	(1 036 000)	(1 000 000)
	-	-

Conditions has been met. This grant was received from the Department of Public Works and it is utilised for job creation to alleviate poverty.

Strategy Environmental Assessment Grant

Balance unspent at beginning of year	256 989	256 989
Current year receipts	-	-
Conditions met - transferred to revenue	(256 989)	0
	-	256 989

Conditions is still to be met - remains a liability. This grant was received from the Department of Agriculture to do an Environment Assessment within the municipality.

Small Town Rehabilitation Grant

Balance unspent at beginning of year	755 752	2 143 304
Current year receipts	3 000 000	-
Conditions met - transferred to revenue	(454 528)	(1 387 552)
	3 301 224	755 752

Conditions is still to be met - remains a liability. This grant was received from KZN COGTA in regards to small town rehabilitation.

Financial Management Grant

Balance unspent at beginning of year	-	97
Current year receipts	1 800 000	1 800 000
Conditions met - transferred to revenue	(1 800 000)	(1 800 097)
	-	-

The Condition has been met. This grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA. As part of strengthening financial, asset and risk management in municipalities. The grant also provides funding for an internship programme.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

	2016 R	2015 R
22 Operational Grants(continued)		
Land Use Management System Grant (LUMS)		
Balance unspent at beginning of the year	73 000	73 000
Current year receipts		-
Conditions met - transferred to revenue		-
	<u>73 000</u>	<u>73 000</u>

Condition is still to be met - remains a liability. This grant was provided to assist in the development of Land Use Management Systems.

Library Cyber Cadet Grant

Current year receipts	170 000	126 000
Conditions met - transferred to revenue	(170 000)	(126 000)
	<u>-</u>	<u>-</u>

Condition has been met. This grant was received from the KZN Department of Arts and Culture for capacity building and support on information Technology at the Harding Library.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	8 789 659	6 965 859
Current year receipts	22 672 000	21 896 000
Conditions met - transferred to revenue	(31 461 659)	(20 072 200)
	<u>-</u>	<u>8 789 659</u>

Conditions have been met. This grant is used to address backlogs in municipal infrastructure required for the provision of basic services

Government Expert Grant

Balance unspent at beginning of year	7 890	7 890
Current year receipts		-
Conditions met - transferred to revenue		-
	<u>7 890</u>	<u>7 890</u>

Conditions is still to be met - remains a liability. This grant was used for capacity building in low capacity municipalities.

Sports and Recreational Grant

Balance unspent at beginning of year		55 439
Current year receipts		-
Conditions met - transferred to revenue		(55 439)
	<u>-</u>	<u>-</u>

Conditions has been met - There is no remaining liabilities.

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

	2016 R	2015 R
22 Operational Grants(continued)		
Public Participation Grant		
Balance unspent at beginning of the year	57 500	57 500
Current year receipts	-	-
Conditions met - transferred to revenue	<u>57 500</u>	<u>57 500</u>

Conditions is still to be met - remains a liability. This was received from KZN Department of COGTA and is utilised to print Municipal Interpreted Development Plan booklets

Disaster Management Grant

Balance unspent at beginning of the year	317 163	317 163
Current year receipts	317 163	-
Conditions met - transferred to revenue	<u>(317 163)</u>	<u>-</u>
	<u>317 163</u>	<u>317 163</u>

Conditions is still to be met - remains a liability. This was received from Ugu District Municipality and is utilised for disaster Management.

23 Capital Grants

Municipal Infrastructure Grant	23 867 719	19 075 294
Small Town Rehabilitation Grant	454 528	1 387 552
Equitable Share - Capex	-	3 724 300
Disaster Management	<u>200 973</u>	<u>-</u>
	<u>24 523 220</u>	<u>24 187 146</u>

Capital Grants consist of the above.

24 Other Income

Other revenue	2 369 922	1 476 926
Building plans fees	171 951	27 968
Burial Fees	53 326	69 579
Hall hire and facilities	<u>82 188</u>	<u>41 246</u>
	<u>2 677 387</u>	<u>1 615 719</u>

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

	2016 R	2015 R
25 General Expenses		
Internal Audit	129 957	69 703
Advertising	262 427	253 024
Auditors remuneration	1 138 614	1 125 658
Bank charges	56 956	62 744
Consulting and Professional fees	350 238	332 716
Stores and materials	730 228	694 971
Entertainment		97 330
Insurance	200 175	177 152
Conference and seminars	677 367	563 265
IT Expense	86 880	155 766
Levies	311 595	263 848
Motor vehicle expenses	173 270	91 142
Fuel and oil	1 511 709	1 137 589
Operating lease payments (rents)	243 200	226 760
Postage and courier	75 246	35 054
Printing and stationery	257 024	179 339
Promotions		46 982
Protective clothing	112 196	219 229
Town planning scheme	7 299	374 628
Legal expenses	23 246	170 991
Employee Assistant programme	67 605	81 985
Subscriptions	27 436	983 712
Telephone and fax	900 080	661 965
Training	377 874	130 876
Travel - local	106 335	319 789
Valuation of properties	760 097	249 300
Tools and Equipment	37 913	21 755
Electricity	792 178	395 327
Water	398 100	292 969
Refuse		602
Job evaluation		10 000
Office equipment		-
Office expenses	1 133 015	369 086
LED fund	710 774	754 350
Special Programmes	3 682 137	1 509 937
Free basic services	1 818 496	3 198 615
Electrification expense	100 782	7 541 972
Afforestation expenses		647 191
Public Participation	690 870	483 140
Disaster Management	98 600	-
Other expenses	2 113 765	5 114 590
	20 163 682	29 045 052

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

	2016 R	2015 R
26 Employee related costs		
Basic	26 279 778	22 429 380
Medical aid - company contributions	1 568 611	1 228 203
UIF	256 111	226 727
Leave pay provision charge	688 469	363 866
Pension fund	4 330 666	3 793 094
Overtime payments	3 631 728	2 918 680
Housing benefits and allowances	429 053	137 614
Car allowances	2 209 978	1 839 568
Bargaining council levy	14 812	13 093
Wages	348 166	280 973
	39 757 372	33 229 198
 Remuneration of Municipal Manager: Mr SD Mbhele (549)		
Annual Remuneration	874 205	836 560
Car allowance	159 226	152 369
Contributions to UIF, Medical aid and pension fund	74 164	56 836
	1 107 595	1 045 765
 Remuneration of Chief Financial Officer: Ms ST Mhlongo (11068) Contract Ended 31/10/2015		
Annual Remuneration	221 323	703 730
Contributions to UIF, Medical aid and pension fund	199 338	146 704
	420 661	850 434
 Remuneration of Director: Community Services: Mr W Gumede (11015)		
Annual Remuneration	708 301	703 730
Car allowance	100 320	58 559
Contributions to UIF, Medical aid and pension fund	37 592	57 393
	846 213	819 682
 Remuneration of Director: Technical Services: Mr M Guzowski (11030) Contract ended 31/01/2015		
Annual Remuneration		250 532
Car allowance		86 009
Contributions to UIF, Medical aid and pension fund		1 190
		337 731
 Remuneration of Director: Technical Services: Mr S Malinga (11015)		
Annual Remuneration	597 090	29 386
Car allowance	120 000	149
Contributions to UIF, Medical aid and pension fund	40 770	1 650
	757 860	31 185

UMUZIWABANTU MUNICIPALITY
Financial Statements for the year ended June 30, 2016
NOTES TO THE FINANCIAL STATEMENTS

	2016 R	2015 R
27 Remuneration of councillors		
Councillors	5 807 120	5 803 158
Telephone allowance	367 087	331 814
	<u>6 174 207</u>	<u>6 134 972</u>
Mayor: Hon. D.Nckl (2031)	782 480	742 962
Deputy Mayor: Cllr MB Gavu (2023)	630 878	606 858
Speaker: Cllr AD Ngubo (2030)	676 127	633 941
Exco Member: Cllr NB Dlamini (2000)	592 978	563 340
MPAC chair Cllr MV Nyathi (2025)	319 427	307 768
Other Councillors	3 172 317	3 280 103
	<u>6 174 207</u>	<u>6 134 972</u>
In-kind benefits		
The Executive Mayor, Deputy Mayor, speaker and Mayoral Committee members are full time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor has use of a Council owned vehicle for official duties and has one full time driver.		
28 Administrative expenditure		
Administration and management fees - third party (afforestation)	380 827	298 020
Administration and management fees - related party (afforestation)	4 676 332	4 019 834
	<u>5 037 159</u>	<u>4 317 854</u>
29 Debt Impairment		
Debt impairment	<u>173 580</u>	<u>248 553</u>
30 Investment revenue		
Interest revenue - Bank	<u>7 270 710</u>	<u>4 713 291</u>
The amount disclosed in the Investment revenue arising from the invested funds that are not immediately required.		
31 Changes in value of plantation		
Plantation standing timber - Afforestation scheme	<u>6 101 676</u>	<u>1 175 807</u>
The increase in value was mainly due to the increase in Rand price for Acacia and Eucalyptus on the weaker rand exchange rate to the Dollar		
32 Depreciation and amortisation		
Property, plant and equipment	<u>11 430 414</u>	<u>8 064 461</u>
33 Finance costs		
Finance leases	<u>38 206</u>	<u>27 341</u>
34 Auditors' remuneration		
Expenses	<u>1 138 614</u>	<u>1 125 658</u>
35 Operating Lease		
Describe the leasee's significant leasing arrangements which include:		
- basis on which contingent rent payable is determined		
- the existence and terms of renewal or purchase options and escalation clauses; and		
- restrictions imposed by lease arrangements, such as those concerning return of net surplus, return of capital contributions, dividends, additional debt and further leasing.		

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

	2016 R	2015 R
36 Rental of facilities and equipment		
Rental of facilities and equipment	37 861	45 240
37 Contracted services		
Security	2 084 375	806 088
38 Grants and Subsidies paid		
Contributions to UGU (South Coast Tourism)	327 267	214 970
39 Bulk purchases		
Electricity purchases	22 923 839	20 533 098
Electricity Distribution losses - amount	869 501	1 116 727
Electricity Distribution losses - %	4%	5%
Losses are contained within the National Energy Regulation of South Africa (NERSA) norms of between 4% and 10%		
40 Cash Generated from operations		
Surplus	63 702 204	46 755 163
Adjustments for:		
Depreciation and amortisation	11 651 435	8 064 594
(Loss) gain on sale of assets and liabilities	12 493	(4 303 878)
Changes in value of plantation	6 101 876	(1 175 807)
Debt impairment	173 580	248 553
Other liabilities	(69 376)	(3 004 878)
Finance cost	28 578	27 341
Prior period error		(54 000)
Changes in working capital:		
Inventories	(123 030)	(252 979)
Receivable from exchange transactions	(1 478 402)	(209 585)
(increase)/decrease in other receivables	(1 655 551)	(3 575 043)
(Increase)/decrease in investment property	-	-
(Increase)/decrease in borrowings	736 004	(146 869)
(Increase)/decrease in trade payables		-
(Increase)/decrease in conditional grants and receipts		-
Payables from exchange transactions	(2 515 895)	(2 253 732)
Unspent conditional grants and receipts	(6 784 176)	6 684 281
Consumer deposits	6 579	15 650
	69 786 319	46 818 811

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

	2016 R	2015 R
41 Commitments		
Authorised capital expenditure		
Commitments in respect of capital expenditure Approved and Contracted		
Infrastructure	26 558 046	9 038 168
Community	1 380 184	673 379
Other	5 266 308	1 455 628
Commitments in respect of operating expenditure Approved and Contracted		
Operating expenses	9 631 336	1 883 244
	42 835 874	13 050 419
Approved but not yet contracted for and authorised by council		
Infrastructure	40 342 275	26 988 400
Community		-
Other	1 069 177	2 572 947
Operating expenses		456 401
	41 411 452	30 017 748
Total Commitments	84 247 326	43 068 167

This committed expenditure relates to property, plant and equipment and will be finance by available bank facilities, retained surpluses, existing cash resources, funds internally generated and other grants to be received from other shares of government etc.

42 Related parties

Controlled Afforestation Scheme

Refer to note 54

43 Going concern

We draw attention to the fact that at 30 June 2016, the municipality had accumulated surplus of R 313 239 277 and that the municipality's total liabilities are R 23 958 213 of its Net Assets of R 339 707 677.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

44 Events after the reporting date

no events having financial implications requiring disclosure occurred subsequent to 30 June 2016.

45 Unauthorised expenditure

Umuziwabantu Municipality did not incur any unauthorised expenditure during 2015/2016 financial year.

46 Fruitless and wasteful expenditure

Umuziwabantu Municipality did not incur any fruitless and wasteful expenditure during 2015/2016 financial year.

47 Irregular expenditure

Opening balance	34 650	11 558 608
Add: Irregular expenditure-current year	6 826 087	10 050 419
Less: amount written off after investigation by council		21 593 030
Closing balance - Irregular expenditure	6 860 737	34 650

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

	2016 R	2015 R
48 Contingent Liabilities: (Litigation matters) R 1 757 243.70 due to Municipal By-Laws implementation disputes and SMECSA, Nhloso Holdings CC and MW Civils claiming for outstanding payments based on their work done without approved variation orders.		
49 Contingent Liabilities: Wage Curve Agreement		
On 21 April 2010 SALGA signed the "categorisation and job evaluation wage curves collective agreement"(wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees based on an evaluation of employees jobs per the Task job evaluation system. Subsequent to the signing of the agreement the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with the effect 1 July 2010 instead of 1 July 2011. SALGA on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised. The Municipality has not yet stated the process of the job evaluations and as a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have a additional payable for employee wages, depending on the outcome of the pending litigation and finalisation of the job evaluation. As a result of the above standing issues it is not practice to reliably estimate the amount of this payable.		
50 Contingent Liabilities: VAT payable to UGU S/C Tourism	(191 213)	(146 672)
The contingent liability relates to the VAT payable to UGU South Coast Tourism for the Transfers made to the municipal entity, which was previously treated as Grants and therefore were zero rated for the entity. At the reporting date, SARS has verbally indicated that the taxable treatment for the Transfers must only be applied prospectively, however there has been no written correspondence from SARS to confirm that position. The municipality has prudently raised the Contingent Liability relating to this matter.		
51 Contingent Asset: Vat receivable	191 213	146 672
The contingent asset relates to the VAT receivable from SARS for the Transfers made to the Ugu South Coast Tourism, which were previously treated as Grants and therefore were zero rated for the entity. At the reporting date, SARS has verbally indicated that the taxable treatment for the Transfers must be applied prospectively, however there has been no written correspondence from SARS to confirm that position. The municipality has prudently raised the Contingent Asset relating to this matter.		
52 Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government (SALGA)		
Current year subscriptions / fee	983 712	999 400
Amount paid - current year	(983 712)	(999 400)
	-	-
Audit fees		
Current year subscriptions / fee	1 138 614	1 256 941
Amount paid - current year	(1 138 614)	(1 256 941)
	-	-
PAYE and UIF		
Current year subscriptions / fee	5 725 026	4 960 633
Amount paid - current year	(5 725 026)	(4 960 633)
	-	-
Pension and Medical Aid deductions		
Current year subscriptions / fee	9 389 390	7 739 720
Amount paid - current year	(9 389 390)	(7 739 720)
	-	-
Councillors accounts in arrear		
There are no councillors who had arrear accounts outstanding for more than 90 days as at 30 June 2016.		

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS**2016****2015****R****R****53 Budget differences**

Material difference between budget and actual amounts, please refer to Appendix E

54 Afforestation

The municipality's plantation are known as the Umuziwabantu Municipality Harding Afforestation Scheme. This scheme has entered into an agreement with NCT Forestry Co-operative in terms of which the latter has taken over the management of the timber plantations owned by the Umuziwabantu Municipality Harding Afforestation Scheme. By agreement this function is now being performed by NCT Tree Farming (PTY) Ltd, wholly owned by subsidiary of the co-operative.

In terms of this agreement NCT Tree Farming (PTY) Ltd is entitled to a profit share equal to 5% of the net profit generated by the forestry operations prior to the deduction of such fee.

Further, NCT Tree Farming (PTY) Ltd is not entitled to any payment other than to recovery of direct costs should the forestry operation not make a profit or if a loss is made in any year, nor is it liable for any losses other than in the case of NCT Tree Farming (PTY) Ltd negligence in terms of the agreement.

No taxation has been provided as the net income is attributable directly to the Umuziwabantu Municipality. In previous years the Afforestation Scheme was accounted for using the equity method. From 1 July 2007 the Scheme's operation has been incorporated on a line by line basis into the financial statements.

55 Private public partnership

The municipality was not a party to any Private Public Partnerships during the financial year 2015/2016.

56 Housing Development Fund

Property, plant and equipment	763 053	763 053
Housing Rental Debtors	47 620	47 620
Cash Resources	5 808 790	4 960 299
Creditors	(358 977)	(386 727)
	<u>6 260 486</u>	<u>5 404 245</u>

UMUZIWABANTU MUNICIPALITY

Financial Statements for the year ended June 30, 2016

NOTES TO THE FINANCIAL STATEMENTS

	2016 R	2015 R
57 Supply chain section 36 deviations		
(I) IN AN EMERGENCY	101 795	219 743
IF SUCH GOODS OR SERVICES ARE PRODUCED OR AVAILABLE FROM A SINGLE SUPPLIER		
(II) ONLY	102 424	1 380 796
FOR THE ACQUISITION OF SPECIAL WORKS OF ART OR HISTORIC OBJECTS WHERE		
(III) SPECIFICATIONS ARE DIFFICULT TO COMPILE	-	-
(IV) ACQUISITION OF ANIMALS FOR ZOOS AND / OR NATURE AND GAME RESERVES	-	-
IN ANY OTHER EXCEPTIONAL CASE WHERE IT IS IMPRACTICAL OR IMPOSSIBLE TO		
(V) FOLLOW THE OFFICIAL PROCUREMENT PROCESSES	1 790 275	1 071 965
	1 994 493	2 672 503

APPENDIX A

UMUZIWABANTU MUNICIPALITY
Financial Statements for the year ended June 30, 2016
SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2016

EXTERNAL LOANS	Loan	Interest rate	Maturity date	Balance at 30/06/2009 R	Received during the Period R	Interest paid during the period R	Redeemed written off during the period R	Balance 30/06/2010 R	Carrying Value of Property Plant & Equipment R	Other Goods In Accordance with the MFMA R
Annulity Loans										
TOTAL EXTERNAL LOANS										

Note

THE MUNICIPALITY HAS NO LOANS AT REPORTING DATE.

APPENDIX B
UMUZIWABANTU MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2016

	Cost /Revaluation					Accumulated Depreciation					Carrying Value	
	Opening Balance	Fair Value	Additions	Disposals	Revaluations Adjustments	Closing Balance	Opening Balance	Current Year	Disposals	Impairments		Closing Balance
Land	18 782 297	-	-	-	-	18 782 297	-	-	-	-	-	18 782 297
Buildings	23 070 726	-	9 436 882	(290 231)	-	32 217 377	6 752 691	2 609 158	(168 967)	-	9 194 882	23 022 495
Infrastructure	122 926 340	-	23 489 678	(1 011 895)	-	145 404 123	22 399 945	6 422 383	(243 406)	-	28 578 922	116 825 200
Roads	108 798 272	-	23 063 085	(888 726)	-	130 982 631	16 244 481	5 868 091	(166 011)	-	21 946 561	109 046 070
Solid Waste	1 699 295	-	-	(3 078)	-	1 696 217	654 272	135 685	(1 581)	-	788 377	907 839
Cemeteries	5 983	-	-	(5 993)	-	-	5 984	98	(6 083)	-	-	-
Electricity	12 422 781	-	426 593	(134 098)	-	12 715 276	5 495 208	418 508	(89 731)	-	5 843 984	6 871 291
Assets Under Construction	36 447 106	-	26 468 005	(32 041 503)	-	30 873 608	-	-	-	-	-	30 873 608
Other	18 788 862	-	2 465 012	(786 803)	-	20 466 871	9 536 026	2 034 894	(574 489)	-	10 987 839	9 479 032
Furniture & Office Equipment	2 117 522	-	47 103	(135 658)	-	2 028 968	1 557 257	132 077	(117 994)	-	1 568 273	460 885
Transport Assets	7 138 771	-	288 727	(282 305)	-	7 145 193	3 088 719	953 187	(195 719)	-	3 841 500	3 303 692
Computer Equipment	1 295 500	-	1 060 782	(214 158)	-	2 142 125	680 844	204 106	(150 139)	-	733 793	1 408 332
Machinery and Equipment	8 236 869	-	1 068 399	(154 683)	-	9 150 585	4 208 407	745 523	(110 636)	-	4 844 272	4 306 313
Finance Leases	683 955	-	736 446	(529 485)	-	890 916	341 978	185 267	(295 070)	-	232 174	658 742
Afforestation (consolidated)	1 822 382	-	508 282	(2 192)	-	2 328 472	465 909	118 778	-	-	584 687	1 743 785
Solid Waste (Landfill Site)	2 393 245	-	-	-	-	2 393 245	819 606	59 935	-	-	1 144 989	1 248 256
	224 914 713	-	63 104 305	(34 662 110)	-	253 356 908	40 316 155	258 856	(1 279 931)	-	50 723 493	202 633 415

ANALYSIS OF INTANGIBLE ASSETS FOR THE YEAR ENDED 30 JUNE 2016

ANALYSIS OF INTANGIBLE ASSETS FOR THE YEAR ENDED 30 JUNE 2016												
	Cost/Revaluation					Accumulated Depreciation					Carrying Value	
	Opening Balance	Fair Value	Additions	Disposals	Adjustments	Closing Balance	Opening Balance	Current Year	Disposals	Impairments		Closing Balance
Intangible Assets	38 770	-	-	-	-	38 770	7 108	7 754	-	-	14 862	23 908

ANALYSIS OF INVESTMENT PROPERTY FOR THE YEAR ENDED 30 JUNE 2016

ANALYSIS OF INVESTMENT PROPERTY FOR THE YEAR ENDED 30 JUNE 2016										
	Cost/Revaluation				Accumulated Depreciation				Carrying Value	
	Opening Balance	Fair Value	Additions	Disposals	Adjustments	Closing Balance	Current Year	Disposals		Impairments
Investment Properties	1 479 000	-	-	-	-	1 479 000	-	-	-	1 479 000

NOTES:

APPENDIX C
UMUZIWABANTU MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2016

	Cost			Accumulated Depreciation				Closing Balance	Opening Balance	Adjustment	Depreciation			Write Downs	Impairments	Closing Balance	Carrying Value
	Opening Balance	Fair Value	Additions	Disposals	Revaluations	Prior Year	Adjustment				2015/2016	2015/2016	2015/2016				
Municipal Manager	4 245 561	-	40 902	(36 324)	-	-	(5 161)	4 250 139	572 177	-	181 701	(34 330)	-	-	-	719 038	3 531 101
Mayor	44 086	-	-	-	-	-	-	44 086	968	-	8 610	-	-	-	-	9 579	34 497
Council	11 285 251	-	-	(332 825)	-	-	(53)	10 952 426	4 709 549	(53)	1 775 354	(185 650)	-	-	-	6 819 194	4 633 431
Corporate Services	23 949 437	-	895 986	(162 643)	-	-	(849)	24 682 780	1 087 058	(849)	448 080	(111 164)	-	-	-	1 423 084	23 260 696
Human Resources	17 334	-	-	-	-	-	-	17 334	408	-	2 982	-	-	-	-	3 390	13 944
Development/Admin Services	928 697	-	-	-	-	-	(2 183)	926 514	486 850	(2 183)	28 076	-	-	-	-	522 745	403 952
Technical Services	1 253 674	-	13 270 419	(2 766 335)	-	-	(1 343)	11 757 757	568 735	(1 343)	298 558	(61 282)	-	-	-	802 639	10 955 118
Electricity Service	18 720 535	-	492 593	(472 452)	-	-	6	18 740 676	7 381 309	6	579 266	(280 303)	-	-	-	7 660 272	11 060 404
Public Works	108 200	-	-	-	-	-	-	108 200	5 340	-	8 680	-	-	-	-	14 020	92 180
Parks and Gardens	4 541 989	-	187 471	(17 255)	-	-	-	4 712 205	532 153	-	180 842	(12 988)	-	-	-	699 808	4 022 398
Refuse Removal	2 489 760	-	-	(3 078)	-	-	-	2 486 682	1 101 896	-	191 412	(1 581)	-	-	-	1 290 476	1 196 206
Roads	141 970 103	-	36 234 651	(28 045 427)	-	-	(14)	149 559 328	16 972 534	(14)	6 261 051	(180 813)	-	-	-	23 072 771	126 486 557
Mechanical Workshop	2 549 250	-	-	(58 888)	-	-	-	2 490 362	234 805	-	360 933	(37 456)	-	-	-	556 281	1 932 281
Financial Services	1 219 899	-	39 863	(250 163)	-	-	-	1 009 600	762 658	-	157 684	(176 320)	-	-	-	742 326	267 073
Procurement	113 412	-	-	(13 449)	-	-	-	99 963	76 680	-	7 625	(13 685)	-	-	-	70 540	29 422
Community Services	1 580 291	-	10 737 269	(1 490 704)	-	-	-	10 836 856	3 408	-	202 087	-	-	-	-	205 475	10 631 381
Clinic	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Library	657 283	-	140 437	(32 060)	-	-	(1170)	765 670	494 441	(1170)	53 927	(22 429)	-	-	-	525 768	239 902
Protection Services	918 951	-	529 717	(352 843)	-	-	(430)	1 096 025	574 207	(430)	97 210	(173 283)	-	-	-	497 704	598 320
Disaster/Fire	782 214	-	-	(34 071)	-	-	-	748 143	476 114	-	288 521	(27 472)	-	-	-	747 163	980
Law Enforcement	8 730	-	16 715	(2 000)	-	-	-	23 445	1 608	-	1 073	(1 167)	-	-	-	1 514	21 931
Estatees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing Service	3 308 639	-	-	-	-	-	-	3 308 639	2 977 775	-	110 288	-	-	-	-	3 088 063	220 576
Afforestation	1 822 382	-	508 282	(2 192)	-	-	-	2 328 472	465 909	-	118 778	-	-	-	-	584 687	1 743 785
Landfill Site	2 393 245	-	-	-	-	-	-	2 393 245	819 606	-	59 935	-	-	-	-	1 152 743	1 240 502
TOTAL	224 914 714	-	63 184 305	(34 662 110)	-	-	268 868	253 396 908	40 316 155	-	11 430 414	(1 279 931)	-	-	-	50 731 246	202 633 416

Intangible Assets	38 770	-	-	-	-	-	-	38 770	7 108	-	7 764	-	-	-	-	14 862	23 908
Investment Properties	1 479 000	-	-	-	-	-	-	1 479 000	-	-	-	-	-	-	-	-	1 479 000
TOTAL	1 517 770	-	-	-	-	-	-	1 517 770	7 108	-	7 764	-	-	-	-	14 862	25 298

204 136 323

APPENDIX D
UMUZIMABANTU MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016

	2016 Actual Income	2016 Actual Expenditure	2016 Surplus / (Deficit)		2015 Actual Income	2015 Actual Expenditure	2015 Surplus / (Deficit)
	R	R	R	RATE AND GENERAL SERVICE	R	R	R
	22 200 000	(16 008 325)	6 191 675	Executive and Council	19 422 724	(16 084 727)	3 327 997
	<u>22 200 000</u>	<u>(16 008 325)</u>	<u>6 191 675</u>		<u>19 422 724</u>	<u>(16 084 727)</u>	<u>3 327 997</u>
	40 400 734	(30 515 559)	9 885 175	Finance and Administration	33 655 979	(19 189 030)	14 466 949
	<u>40 400 734</u>	<u>(30 515 559)</u>	<u>9 885 175</u>		<u>33 655 979</u>	<u>(19 189 030)</u>	<u>14 466 949</u>
	8 195 521	(7 719 344)	476 177	Community & Social Services	3 825 778	(3 067 337)	758 441
	<u>8 195 521</u>	<u>(7 719 344)</u>	<u>476 177</u>		<u>3 825 778</u>	<u>(3 067 337)</u>	<u>758 441</u>
	31 051 958	(5 430 301)	25 621 657	Planning and Development	3 432 512	(4 722 313)	(1 289 801)
	<u>31 051 958</u>	<u>(5 430 301)</u>	<u>25 621 657</u>		<u>3 432 512</u>	<u>(4 722 313)</u>	<u>(1 289 801)</u>
	716 189	(575 171)	141 019	Disaster Management	516 247	(286 036)	230 209
	<u>716 189</u>	<u>(575 171)</u>	<u>141 019</u>		<u>516 247</u>	<u>(286 036)</u>	<u>230 209</u>
	18 063 808	(8 355 549)	9 708 259	Road Transport	10 990 150	(7 100 492)	3 889 658
	<u>18 063 808</u>	<u>(8 355 549)</u>	<u>9 708 259</u>		<u>10 990 150</u>	<u>(7 100 492)</u>	<u>3 889 658</u>
	3 000 000	(3 980 339)	(980 339)	Sport and Recreation	2 671 913	(4 627 879)	(1 955 966)
	<u>3 000 000</u>	<u>(3 980 339)</u>	<u>(980 339)</u>		<u>2 671 913</u>	<u>(4 627 879)</u>	<u>(1 955 966)</u>
	1 190 244	-	1 190 244	Other	24 083 506	(8 672)	24 074 834
	<u>1 190 244</u>	<u>-</u>	<u>1 190 244</u>		<u>24 083 506</u>	<u>(8 672)</u>	<u>24 074 834</u>
	<u>124 818 453</u>	<u>(72 694 588)</u>	<u>52 223 866</u>	Total Rates and General Services	<u>98 598 809</u>	<u>(55 095 488)</u>	<u>43 503 321</u>
	32 410 369	(28 872 616)	3 537 773	TRADING SERVICE			
	<u>32 410 369</u>	<u>(28 872 616)</u>	<u>3 537 773</u>	Electricity	38 662 766	(35 303 590)	3 359 176
					<u>38 662 766</u>	<u>(35 303 590)</u>	<u>3 359 176</u>
	6 044 850	(6 205 998)	(161 148)	WASTE MANAGEMENT			
				Solid Waste	5 633 448	(5 143 443)	490 005
				AFFORESTATION SCHEME			
	<u>163 273 693</u>	<u>(107 673 202)</u>	<u>55 600 491</u>	TOTAL	<u>142 885 023</u>	<u>(95 543 521)</u>	<u>47 351 502</u>

APPENDIX E (1)

UMUZWABANTU MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
FOR THE YEAR ENDED 30 JUNE 2016

REVENUE	2016 Actual R	2016 Budget R	Variance R	%	Explanation of Significant Variances greater than 10%
Property rates	14 732 877	14 245 548	(487 329)	3%	N/A
Property rates-penalties and charges	855 488	401 102	(454 386)	113%	Higher debtors book resulted in increased interest charged
Services charges	29 342 408	33 113 073	3 770 665	-11%	Consumers used less electricity
Rental on facilities and equipment	120 049	147 851	27 802	-18%	Lease of farm lots, staff houses, and rental of timber overstocked
Interest earned-external investments	7 270 711	4 000 000	(3 270 711)	82%	High interest rate during the financial year and budget was conservative
Fines	358 864	28 245	(332 619)	1267%	Fines from traffic not collected due to some cancelled by magistrates
Licences and permits	455 505	373 400	(82 105)	22%	More vehicles were registered
Agency services	1 744 208	2 632 472	888 264	-34%	Fewer learners and drivers licences issued
Transfer recognised	107 084 338	103 800 000	(3 284 338)	3%	N/A
Other revenue	1 299 267	9 647 405	8 348 138	-86%	Budget was overstated
Gains on disposal of PPE					
Total Revenue	163 273 694	168 287 096	5 013 403	-3%	
EXPENDITURE					
Employee related costs	30 757 372	44 699 878	4 942 506	-11%	Vacant positions not filled, PMS bonuses not paid
Remuneration of Councilors	6 174 207	6 695 267	491 060	-7%	N/A
Debits impairment	173 580	168 540	(5 040)	3%	N/A
Depreciation	11 430 414	8 923 518	(2 506 896)	26%	Acquisition not properly provided for
Repairs and maintenance	3 978 411	6 167 170	2 208 759	-36%	Repairs in rural facilities not conducted
Finance lease charges	321 150	350 587	29 437	-8%	N/A
Bulk purchases	22 928 839	28 089 907	5 176 068	-18%	Drop in the consumption of electricity as a result of load shedding
Contracted services	2 084 375	1 939 574	(144 801)	7%	N/A
Transfers and grants	327 267	380 000	52 733	-14%	Savings from implementation of budget
Other expenditure	20 183 682	34 337 602	14 173 920	-41%	Costs containment measures on general expenses
Loss on disposal of PPE	338 906	-	(338 906)		N/A
Total Expenditure	107 673 202	131 782 021	24 078 819	-18%	
SURPLUS FOR THE YEAR	55 600 492	36 535 075			

APPENDIX F

DETAILED SCHEDULE OF CONDITIONAL GRANTS AND RECEIPTS
FOR THE YEAR ENDED 30 JUNE 2016

Grant name	Unspent at beginning of year	Received during year	Journal posted	Total Received YTD	Expended during year	Unspent at end of year	% Spent YTD
	R	R		R	R	R	
ESKOM	283 000.00			283 000.00	283 000.00	-	100%
MSIG		930 000.00		930 000.00	930 000.00	-	100%
Strategic Environment As	256 989.00			256 989.00	256 989.00	-	100%
Small Town Rehabilitation	755 752.00	3 000 000.00		3 755 752.00	454 527.98	3 301 224.02	12%
FMG		1 800 000.00		1 800 000.00	1 800 000.00	-	100%
LUMS	73 000.00			73 000.00		73 000.00	0%
IDP	57 500.00			57 500.00		57 500.00	0%
MIG	8 789 659.00	22 672 000.00	(6 489 659)	24 972 000.00	24 972 000.00		100%
Government Expectation	7 890.00			7 890.00		7 890.00	0%
EPWP	-	1 036 000.00		1 036 000.00	1 036 000.00	-	100%
Disaster Management	317 163.00	317 163.00		634 326.00	317 163.00	317 163.00	50%
Library grant		723 000.00		723 000.00	723 000.00	-	100%
	10 540 953.00	30 478 163.00	-6 489 659.00	34 529 457.00	30 772 679.98	3 756 777.02	89%